

Measuring Customer Satisfaction

Expert knowledge means success



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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Starting with Customers

Exceptional customer service has now become a leading element in the mission and vision statements of organisations all over the world. To succeed in these goals, both the organisations and the individuals who work in them, need to achieve peak levels of performance - that means continually improving and being better than the competition.

Most organisations say something in their literature about how they care about their customers. But don't get too hung up about the word "customer". If it applies to you, that's fine but if the people you care about are called "patients" or "clients" or "consumers" or "diners" or "residents" or even "members", that's fine too because we all understand who we're talking about. We're talking about the people who pay our bills as being our "customers".

Without the support of your customers and prospective customers, you don't have a business. We're telling you about these things simply because they may help you to create an extraordinary business - one that delights customers and attracts new ones because the old ones act as your advocates and can't stop telling the world how great it is to deal with you. In other words, one that has 100% of its customers acting as great referral sources for you.

All this sounds easy in a way. Having goals such as those we've mentioned are goals that any right minded business owner such as you would love to have - delighted customers going around and embarrassing you by the good things they say.

But great service requires an exceptional commitment from everyone in the business to listen to and learn from the most important people your business will ever know - your customers.

Lessons and Principles

Lessons

The first three great lessons about customers are:

1. Customer service is everyone's business. Act as if you're on the front lines - even when you're in the back office.
2. Customers can tell you what they want. But if you listen hard, you can hear what they really need.
3. Customers don't always know what they need - watch them juggle their problems and you'll see what they do and the troubles and difficulties they encounter - then you'll know exactly what they need.

12 principles about Customers

Principle 1.

Customers don't talk to "the company." They talk to individuals.

Principle 2.

Great service starts with a good attitude. Your attitude is your business. If you had to talk to someone, would you want to talk to you? If the answer is "no," it's time for an attitude adjustment!

Principle 3.

There's only one judge of great service: the customer. Do you ask customers how they rate your service? If no, how do you know what they think?

Principle 4.

Customers don't think of themselves as "customers". They think of themselves as people who need your help. Enjoy helping people - you'll do a better job.

Your customers are customers second - and people first. Your job is to identify customers and to identify with the customers. Learn to look at problems through their eyes.

The Extra Mile - do you solve your customers' problems - in whatever form they take?



Customer Satisfaction and Customer Delight

Customer Satisfaction is the customer's perception that a supplier has completely satisfied their expectations.

Customer Delight occurs when a supplier exceeds the expectation of the customer.

Principle 5.

There's no "right way" to talk to customers.

Every customer is different. Every problem is different. So every conversation is different.

Some companies use prepared scripts when they take calls from customers. This approach makes conversations more efficient - but less valuable. You need to talk to your customers one at a time.

Principle 6.

Don't just talk to customers - talk to each other in your company! You are the voice of the customer inside the company. Did a customer say something to you that all of your people need to hear? Did you pass that message along?

Principle 7.

It's not enough to take care of customers. You have to care about them. Great service isn't just a transaction. It's a bond.

Principle 8.

Don't just solve problems - create opportunities. You can turn a slip-up into a sale.

All companies make mistakes. At your company you should make good come out of your mistakes. Don't forget: every mistake is a chance to prove how good you can be. Act wisely, and you create a customer for life.

The Extra Mile - don't perform to your expectations. Instead, perform to the customer's expectations, and beyond. But before that, you'll have to find out what your customer really expects.

Principle 9.

Don't just listen - learn. Small complaints can generate big improvements.

Do you take notes from your customer conversations? Or do you fix the problems and forget the lessons?

Principle 10.

Learn to anticipate problems. If you listen to people and look for patterns, you can read customers' minds.

Remember - you can amaze customers! You can dazzle them with your ability to know what they're going to say - before they say it! Study the statistics you keep on customer behaviour. Then listen carefully. You'll begin

to know where conversations are going. And the more you do it, the better you get!

Principle 11.

Every customer call is a judgment call. The deeper your knowledge, the better your judgment.

Have you really used your products and services yourself? Can you offer customers your expert opinions and advice? Like the good hotelier, do you ever "sleep in your own beds"?

Principle 12.

If you really want to help your customers, don't be afraid to ask questions. Your questions to them will improve your answers because you'll know what they're thinking. There's no such thing as a stupid question. Your customers aren't embarrassed to ask you anything they want to know. If you're going to answer their questions, you've got to be willing to ask them questions too! What you don't know can hurt. So ask away!

"Customer satisfaction can be defined as the degree to which a customer's expectations of a product or service are in line with what the product or service provides."

Customer Satisfaction

Customer satisfaction and loyalty are the most important factors that affect your bottom line results. The saying "*you can only measure what you manage*" applies to organisations who are customer-focused.

To manage and improve your customer's experience in dealing with your organisation, you must understand how the customer feels about that experience. Without measurement, your commitment to quality service and enhanced customer experience can be difficult to achieve.

Customer Satisfaction can cover a lot of ground – whilst most organisations measure customer satisfaction in one-way or another, identifying "which" customers to measure, "what" to measure, and "how" to act on that information is much more complicated.

Because customer satisfaction is a function of the customer's attitude, it is a very hard concept to measure. One way of measuring customer satisfaction is to get customer input from various channels, such as surveys, focus groups, or customer complaints and combine this information in an attempt to get an accurate measure of customer satisfaction.

Customer service and customer relationship management (CRM) are touted as critical success factors for organisations that want to seriously compete and thrive into the next decade. As technology and manufacturing fast become commodities, the customer relationship is the only area where real competitive advantage is still possible.

Today's markets are characterised by demanding customers, increasingly effective competition and constant change. Only those organisations that are both 'customer focused' and 'market led' will succeed in this challenging environment.

Customer-Led Organisations

Unfortunately, few organisations think about asking the customer what he/she really wants. Take Henry Ford as an example – he determined that customers could have any colour car they wanted, provided it was black. He chose black because the paint dried faster than any other colour. But, what is the value to the customer if the paint dries faster?

Being customer-focused means that you go out into the marketplace to find out how and when the customer wants something, bring that information back to the company, and then do it their way.

Market- and Product-Led Organisations

Market-led organisations make or produce goods and provide services to meet the consumers' needs which they have identified.

Product-led organisations make or produce goods and provide services, basically because they are good at doing it – whether it's what the customer wants or needs is another thing altogether – see the example of Henry Ford and his Model T black car mentioned above..

Measuring Customer Satisfaction

Why measured it

Competitiveness and profitability are maximised in the long run by doing best what matters most to your customers. Whilst few organisations would disagree with this principle, it remains a minority who can accurately measure their success in attaining that goal.

The average business loses between 10% and 30% of its customers each year, often without knowing:

- Which customers they have lost;
- When they were lost;
- Why there were lost;
- How much sales and profit customer decay has cost them.

Research has demonstrated conclusively that it is far more costly to win a new customer than it is to maintain an existing one.

- The most powerful reason for doing anything in business is that it will increase profitability;
- Measure customer satisfaction, and acting appropriately on the results, will increase profitability;
- Not taking action allows your customer base to decay while allowing your competitors to gain market share.

Consider these statistics:

- Only 4% of all customers with problems actually bother to complain;
- The average person with a problem eventually tells 9 other people – but satisfied customers tell 5 other people about their good treatment;
- The cost of acquiring a new customer is 5 to 7 times greater than retaining current ones;
- The cost of hiring and training a new employee is up to 10 times more than retaining current ones.

CSM (customer satisfaction measurement) will enable you to:

- Understand how customers perceive your organisation and whether your performance meets their expectations;
- Identify PFIs (priorities for improvement) - areas where improvements in performance will produce the greatest gain in customer satisfaction;
- Set goals for service improvement and monitor progress against a customer satisfaction index;
- Benchmark your performance against other organisations;
- Increase profits through improved customer loyalty and retention.



Perception, Expectation and Satisfaction

US marketing Guru Phillip Kotler defines customer satisfaction as:

"The consumer's feelings of pleasure or disappointment resulting from a comparison between the perceived performance of the goods or service and the prior expectations."

By this definition, happy customers are those who get what they expect - or more.

Thus customer satisfaction is a formula:
 $P - E = S$
Where:
P=Perception
E=Expectations
S=Satisfaction

How to Measure it

Though customer satisfaction is easy to perceive, it is difficult to define and sometimes even more difficult to measure.

Customer satisfaction research is not an end unto itself. The purpose of measuring customer satisfaction is to see where a company stands in this regard in the eyes of its customers, thereby enabling service and product improvements which will lead to higher satisfaction levels. A survey to measure customer satisfaction implies that you know your customers, are interested in their views, and plan to be responsive.

Many marketing conscious businesses include questionnaires in their product registration documentation. It helps them to analyse why consumers have chosen their products. Although these questionnaires can be effective, they don't usually assess satisfaction with the purchased item since at the time the questionnaire is completed, there hasn't been much opportunity to test it.

One of the best ways of determining customer expectations and measuring satisfaction (the two essential elements in determining satisfaction) is through focused post-purchase research – usually undertaken by completion of a survey questionnaire. Here are a few tips on measuring customer satisfaction¹.

- Measure reality. See what products and services customers use in the real world - and how they use them;
- Ask about your customers' needs, not your product or service;
- Listen carefully and ask open questions;
- Try a variety of research methods - surveys, in-depth interviews, observation techniques, etc.;
- Get potential customers to solve problems for you by tapping into their experience;
- Don't overlook employee feedback on customer satisfaction. Develop simple forms for staff to monitor complaints and compliments;
- Measure regularly. A one-off survey won't help you identify changes in the business environment or in perceptions about your business.

The Survey

Make sure that your survey:

- Covers all the key business activities - products, services and support, delivery, ordering, invoicing, payment collection - and even your employees. You can also quickly modify the form to match any of your company's activities;
- Is easy to complete — no ranking of quality on a scale of one to five, no lengthy questions, just a list of key business activities and space to respond, all on one page;
- Even includes its own short letter to customers at the beginning that you can quickly edit and customise - you won't have to draft an accompanying letter.

"Your customers and clients know your strengths and weaknesses better than you. It may be uncomfortable or ego deflating to hear about your weaknesses. But you'll soon forget that when you take corrective action and see the positive impact it has on your bottom line".

Bob Leduc

Essential Reading

- Measuring Customer Satisfaction: Development and Use of Questionnaires, by Bob E. Hayes, published by American Society for Quality; ISBN: 087389362X.
- How to Measure Customer Satisfaction, by Nigel Hill et al, published by Gower; ISBN: 0 566 08193 8.
- Customer Satisfaction Is Worthless, Customer Loyalty Is Priceless: How to Make Customers Love You, Keep Them Coming Back and Tell Everyone They Know, by Jeffrey Gitomer, published by Bard Press; ISBN: 188516730X.
- Improving Customer Satisfaction, Loyalty and Profit: An Integrated Measurement and Management System, by Michael D. Johnson, Anders Gustafsson, Jossey-Bass; ISBN: 0787953105
- Improving Your Measurement of Customer Satisfaction: A Guide to Creating, Conducting, Analyzing, and Reporting Customer Satisfaction Measurement Programs, by Terry G. Vavra, published by American Society for Quality; ISBN: 0873894057.
- Measuring Customer Satisfaction by Richard F. Gerson, PhD, published by Gerson Goodson, Inc. Management and Marketing Services; ISBN: 1-56052-178-3.

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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¹ The tips on page 5 of this publication were derived from an article by Gary Harvey, State Manager Commercial Banking. Suncorp Metway Business Banking on 0061 (07) 3362 2019 or by e-mail on: talkingbusiness@suncorpmetway.com.au